

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0880-01
Bill No.: HB 411
Subject: Housing; Revenue, Department Of; Tax Credits; Taxation and Revenue - Income
Type: Original
Date: March 16, 2015

Bill Summary: This proposal would authorize a one-time income tax deduction to a taxpayer for the cost of construction or \$5,000, whichever is less, of a storm shelter that was made in America.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$37,800 to \$157,800)	\$0 to (\$120,000)	\$0 to (\$120,000)
Total Estimated Net Effect on General Revenue	(\$37,800 to \$157,800)	\$0 to (\$120,000)	\$0 to (\$120,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive agency responses in a timely manner due to the short fiscal note request time. Oversight has prepared this fiscal note with the best current information that we have, or with prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will prepare an updated fiscal note and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Although they did not respond to our request for information, officials from the **Department of Revenue (DOR)** assumed a similar proposal in the previous session (HB 1175 LR 4670-01) would allow taxpayers a deduction for the cost of constructing a storm shelter. The deduction would be limited to the lesser of the costs incurred or \$5,000, and the aggregate amount of deductions would be limited to two million dollars.

Fiscal impact

DOR officials noted the proposal could have a negative impact on Total State Revenue. If \$2 million in deductions are claimed, tax revenues would be reduced by approximately \$120,000.

Administrative impact

DOR officials assumed Personal Tax would be required to make form revisions and programming changes for the deduction. Personal Tax would require two additional Temporary Tax Employees for key entry and two additional Revenue Processing Technicians for error correction and correspondence. Also, Collections and Tax Assistance (CATA) would require two additional Tax Collection Technicians for contacts on the delinquent and non-delinquent tax lines and one additional Revenue Processing Technician for contacts to the field offices. DOR officials assume all technicians would require CARES equipment.

The DOR response included two additional Temporary Tax employees and five additional FTE, and with equipment and expense totaled \$214,262 for FY 2015, \$222,530 for FY 2016, and \$224,838 for FY 2017.

ASSUMPTION (continued)

Oversight notes this proposal would provide a maximum deduction for an individual filer of five thousand dollars with an aggregate maximum of two million dollars in deductions allowed each state fiscal year. The maximum overall revenue reduction for this proposal would be $(\$2,000,000 \times 6\%) = \$120,000$ per year. The deduction would be limited to $(\$5,000 \times 6\%) = \300 per filer and would be available on a first-come, first-served basis. Oversight assumes up to $(\$2,000,000 / \$5,000) = 400$ filers would be able to claim the deduction each fiscal year.

Oversight could not find any information regarding the cost of a storm shelter nor the number of storm shelters constructed in Missouri. However, based on the limited amount of deductions available and the limited number of filers who could use this deduction, Oversight assumes these claims could be processed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

IT impact

DOR officials provided an estimate of the IT impact to implement the proposal based on 504 hours of programming to make changes to DOR systems.

Oversight notes the IT cost to implement this proposal based on the current \$75 state contract rate for programmers is $(504 \text{ hours} \times \$75) = \$37,800$ and will include this cost in the fiscal note.

Officials from the **Office of Administration - Division of Budget and Planning** assume this proposal would reduce Total State Revenues (TSR) by \$120,000, and would impact the calculation required under Article X, Section 18(e) of the state constitution.

BAP officials noted this proposal would allow a one-time deduction for a storm shelter built in Missouri. An individual could deduct the cost of building the shelter or \$5,000 whichever is less, and there would be a deduction cap of \$2 million per year. Since deductions do not reduce taxes on a dollar for dollar basis, BAP officials estimated this will reduce TSR by $(\$2,000,000 \times 6\%) = \$120,000$, and BAP officials noted the numbers may vary in the future due to the impact of SB 509 (2014).

ASSUMPTION (continued)

Oversight notes the changes in the maximum individual income tax rate in SB 509 (2014) are contingent on a revenue threshold which may or may not be reached, and will include an annual revenue reduction up to the BAP calculation in this fiscal note.

Oversight also notes the proposal would be effective beginning January 1, 2015 and will include the BAP estimate of fiscal impact for FY 2016, when 2015 income tax returns would be filed, and for FY 2017 and FY 2018. Oversight is aware that some filers would adjust their income tax withholding or estimated payments in anticipation of a tax reduction, but for fiscal note purposes will include the full impact in the year the tax returns would be filed.

This proposal could reduce Total State Revenue.

Although they did not respond to our request for information, officials from the **Department of Public Safety - State Emergency Management Agency** assumed a similar proposal in the previous session (HB 1175 LR 4670-01) would have no fiscal impact on their organization.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be greater than our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
IT cost			
Section 143.115	(\$37,800)	\$0	\$0
<u>Revenue reduction - additional deduction</u>			
for storm shelter	\$0 to	\$0 to	\$0 to
Section 143.115	<u>(\$120,000)</u>	<u>(\$120,000)</u>	<u>(\$120,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$37,800 to <u>\$157,800</u>)	\$0 to <u>(\$120,000)</u>	\$0 to <u>(\$120,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

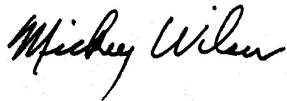
FISCAL DESCRIPTION

This proposal would, beginning January 1, 2015, authorize a one-time income tax deduction for the cost of the construction or \$5,000, whichever is less, of a storm shelter that was made in America. The total amount of deductions, which would be issued on a first-come, first-served filing basis, could not exceed \$2 million in any fiscal year, and the provisions of the bill would expire December 31 six years after the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 16, 2015

Ross Strobe
Assistant Director
March 16, 2015